

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

September 13, 2018

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corbin Independent School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee For School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Change In Accounting Principle

As described in Note 18 to the financial statements, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this item.

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, the Schedules of District's Proportionate Share of the Net Pension Liability and Pension Contributions, District's Proportionate Share of the Net OPEB Liability and District Contributions – Medical Insurance Plan and Life Insurance Plan, and budgetary comparison information on pages 4-7, 48-56 and 57-59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the Statements of Receipts, Disbursements and Fund Balances-Activity Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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The combining nonmajor fund financial statements, the activity fund statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements, the activity fund statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marr, Miller & Myers, PSC

Certified Public Accountants

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

This section of the financial statements for the Corbin Independent School District (District) presents management's discussion and analysis of the financial performance of the District during the fiscal year that ended on June 30, 2018. As management of the District, we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$11,121,626 in 2018 and \$19,763,717 in 2017.
- The General Fund had \$23,875,035 in revenues (excluding interfund transfers), which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$22,998,474 in General Fund expenditures.
- Governmental capital assets had a net increase of \$11,960,141. Business-type capital assets had a net increase of \$107,246 during the current fiscal year.
- The District's total debt increased \$760,222 during the current fiscal year due to issuing a new bond issue of \$3,600,000 net of scheduled principal payments of \$2,839,778.
- There are two sources of pension liabilities and OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System covers the District's professional staff members. It has analysis performed by Gabriel Roeder Smith (GRS) to determine each Kentucky school district's share of pension and OPEB liabilities for its professional staff. This debt is the responsibility of the State of Kentucky. Our allocated amount was \$102,330,708 for pension liabilities and \$7,135,000 for OPEB liabilities, as of June 30, 2018. Our non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system the District's share of the pension liabilities was \$7,166,146 and \$2,461,242 for OPEB liability, as of June 30, 2018. The District does not believe these disclosures will have a major impact on their day to day operations or the financial health of the District. The District's bond rating is based on the State's rating so we have little control over our cost of borrowing.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, plant operations and maintenance, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 through 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are for day care and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 18 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, general equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

NET POSITION FOR THE PERIOD ENDING JUNE 30, 2018

Fiscal year 2017 government-wide net position compared to 2018 is as follows:

	<u>2018</u>	<u>2017</u>
Current assets	\$ 12,061,918	\$ 20,714,186
Capital assets, net	73,045,826	60,978,439
Deferred outflows of resources	<u>1,945,234</u>	<u>1,070,362</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 87,052,978</u>	<u>\$ 82,762,987</u>
Current liabilities	\$ 5,823,641	\$ 5,748,538
Noncurrent liabilities	64,721,865	60,306,316
Deferred inflows of resources	<u>2,790,875</u>	<u>1,281,808</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 73,336,381</u>	<u>\$ 67,336,662</u>
Net position		
Net investment in capital assets	\$ 15,489,494	\$ 17,060,985
Restricted (deficit)	(169,282)	405,844
Unrestricted (deficit)	<u>(1,603,615)</u>	<u>(2,040,504)</u>
Total Net Position	<u>\$ 13,716,597</u>	<u>\$ 15,426,325</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

The most significant change in the financial position of the District since the last audit was the decrease in current assets in the amount of \$8,652,268. This was mainly due to \$9,315,652 in construction fund cash used to continue construction on the new middle school. The District also had an overall increase in liabilities in the amount of \$5,999,719. This was due to an increase in debt of \$3,600,000 for a new bond issue for the Corbin Primary School Addition along with the increase in the net pension liability of \$1,262,061 and OPEB liability of \$2,461,252. The capital assets, net had an increase in the amount of \$12,067,387 due to the Corbin Middle School Project.

The following table presents a summary of revenues and expenditures, Governmental Funds only, for the fiscal years ended June 30:

	<u>2018</u>	<u>Percent</u>	<u>2017</u>	<u>Percent</u>
REVENUES AND OTHER FINANCING SOURCES				
Local revenue sources	\$ 5,404,321	14.55%	\$ 4,888,871	16.10%
State revenue sources	25,001,227	67.30	22,579,141	74.34
Federal revenue sources	3,143,561	8.46	2,905,660	9.56
Bond proceeds	<u>3,600,000</u>	<u>9.69</u>	<u>-</u>	<u>-</u>
Total revenues and other financing sources	<u>37,149,109</u>	<u>100.00</u>	<u>30,373,672</u>	<u>100.00</u>
EXPENDITURES AND OTHER FINANCING USES				
Instruction	19,706,002	53.05	17,673,110	58.19
Student support services	414,211	1.11	334,442	1.10
Instructional staff	485,271	1.31	451,461	1.49
District administration	830,564	2.24	875,149	2.88
School administration	1,753,831	4.72	1,563,704	5.15
Business	824,483	2.22	832,921	2.74
Plant operations and maintenance	2,376,009	6.40	2,103,515	6.93
Student transportation	1,129,181	3.04	962,111	3.17
Other instructional	3,697	.01	8,497	.03
Debt service and miscellaneous	-	-	750	-
Land improvements	99,089	.26	-	-
Building acquisitions and construction	13,363,326	35.97	11,773,764	38.76
Community services activities	229,567	.62	226,116	.74
Bond (premium) discount	72,000	.19	-	-
Bond fees/issuance costs	39,900	.11	-	-
Payment of bonds and note	2,839,778	7.64	2,705,136	8.91
Payment of interest	<u>1,679,973</u>	<u>4.52</u>	<u>1,783,153</u>	<u>5.87</u>
Total expenditures and other financing uses	<u>45,846,882</u>	<u>123.41</u>	<u>41,293,829</u>	<u>135.96</u>
Net change in fund balance	<u>\$ (8,697,773)</u>	<u>(23.41)%</u>	<u>\$ (10,920,157)</u>	<u>(35.96)%</u>

The majority of the District's revenues were derived from state revenues, making up 67.30% of total revenues in 2018 as compared to 74.34% in 2017. Federal revenue sources comprised 8.46% of total revenues in 2018 as compared to 9.56% in 2017. Local revenue sources comprised 14.55% of total revenues in 2018 as compared to 16.10% in 2017. Other financing sources, consisting of bond proceeds, comprised 9.69% of total revenues in 2018.

The majority of the District's expenditures were for instruction, making up 53.05% of total expenditures in 2018 as compared to 58.19% in 2017. Payment of bonds and note comprised 7.64% of the District's total expenditures in 2018 as compared to 8.91% in 2017. Building acquisitions and construction comprised 35.97% of the District's total expenditures in 2018 as compared to 38.76% in 2017. Plant operations and maintenance comprised 6.40% of the District's total expenditures in 2018 as compared to 6.93% in 2017. Capital assets of \$13,723,475 were charged to expenditures in 2018 as compared to \$12,087,990 in 2017.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

COMMENTS ON BUDGET COMPARISONS

In Kentucky, the public schools fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted the 2017-18 budget with \$2,847,570 in contingency (14.22%).

- The District's total general fund revenues for the fiscal year ended June 30, 2018 were \$23,875,035.
- General fund budgeted revenues compared to actual varied from line item to line item, with the ending actual balance being \$2,808,421 more than budget or 13.33%. This is mainly attributed to on-behalf payments being \$2,052,892 more than budget and local revenues (contributions) of \$126,259 that were not budgeted.
- The District's total general fund expenditures for the fiscal year ended June 30, 2018 were \$22,998,474.
- General fund budgeted expenditures compared to actual varied from line item to line item, with the ending actual balance being \$1,973,038 over budget. Instruction expenditures were \$363,974 over budget. School Administration expenses were \$210,016 over budget. Plant operations and maintenance were over budget by \$116,085. When the on-behalf payments of \$2,052,892 that were more than budget are eliminated, then overall general fund expenditures compared to budget were \$79,854 or .32% less than budget.

CAPITAL ASSETS

At the end of June 30, 2018, the District had \$73,045,826 invested in capital assets. This represents a net increase of \$12,067,387.

A comparison of the capital assets at June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Construction in progress	\$ 29,076,973	\$ 15,453,091
Land	4,442,755	4,472,755
Buildings and improvements	37,336,470	38,512,569
Machinery and equipment	<u>2,189,628</u>	<u>2,540,024</u>
Total	<u>\$ 73,045,826</u>	<u>\$ 60,978,439</u>

DEBT ADMINISTRATION

At the end of June 30, 2018, the District had \$57,556,332 in outstanding debt compared to \$56,796,110 last year. That is an increase of 1.70%. The District issued bonds in the amount of \$3,600,000 for the new Corbin Primary addition and made \$2,839,778 in repayments.

FUTURE BUDGET IMPLICATIONS

The District adopted a budget for 2018-19 with \$3,006,379 in contingency (13.45%). Significant Board action that impacts the finances includes the funding of extra-curricular activities, KETS matching funds, and construction of the new Corbin Middle School, Corbin Primary addition and renovation of the old middle school.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or to Rhonda Moore, Chief Finance Officer, at (606) 523-3935 or by mail at 108 Roy Kidd Avenue, Corbin, KY 40701.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION
June 30, 2018

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 10,455,590	\$ 666,036	\$ 11,121,626
Cash with fiscal agent	4,185	-	4,185
Accounts receivable:			
Taxes – current	65,701	-	65,701
Accounts receivable	43,067	28,545	71,612
Intergovernmental – state	118,861	-	118,861
Intergovernmental – federal	304,481	83,008	387,489
Materials and supplies inventory	-	21,954	21,954
Interfund receivable	220,548	-	220,548
Prepaid expenditures	49,942	-	49,942
Total current assets	<u>11,262,375</u>	<u>799,543</u>	<u>12,061,918</u>
NONCURRENT ASSETS			
Capital assets, net	<u>72,884,341</u>	<u>161,485</u>	<u>73,045,826</u>
Total noncurrent assets	<u>72,884,341</u>	<u>161,485</u>	<u>73,045,826</u>
DEFERRED OUTFLOWS OF RESOURCES			
Discount on bonds, net	545,936	-	545,936
CERS – pension	963,789	157,289	1,121,078
CERS – OPEB	<u>239,185</u>	<u>39,035</u>	<u>278,220</u>
Total deferred outflows of resources	<u>1,748,910</u>	<u>196,324</u>	<u>1,945,234</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>85,895,626</u>	<u>1,157,352</u>	<u>87,052,978</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	857,084	21,263	878,347
Accrued interest payable	4,185	-	4,185
Construction retainage payable	1,528,525	-	1,528,525
Interfund payable	220,548	-	220,548
Deferred revenue	187,297	-	187,297
Current portion of bond obligations	2,885,778	-	2,885,778
Current portion of accumulated sick leave payable	95,000	-	95,000
Current portion of insurance claims payable	<u>23,961</u>	<u>-</u>	<u>23,961</u>
Total current liabilities	<u>5,802,378</u>	<u>21,263</u>	<u>5,823,641</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	54,670,554	-	54,670,554
Noncurrent portion of accumulated sick leave payable	376,000	-	376,000
Noncurrent portion of insurance claims payable	47,923	-	47,923
Net pension liability – CERS	6,160,736	1,005,410	7,166,146
Net OPEB liability – CERS	<u>2,115,930</u>	<u>345,312</u>	<u>2,461,242</u>
Total noncurrent liabilities	<u>63,371,143</u>	<u>1,350,722</u>	<u>64,721,865</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION (CONTINUED)
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Premium on bonds, net	161,598	-	161,598
CERS – pension	1,799,976	293,750	2,093,726
CERS – OPEB	460,413	75,138	535,551
Total deferred inflows of resources	<u>2,421,987</u>	<u>368,888</u>	<u>2,790,875</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 <u>71,595,508</u>	 <u>1,740,873</u>	 <u>73,336,381</u>
NET POSITION			
Net investment in capital assets	15,328,009	161,485	15,489,494
Restricted (deficit)	575,724	(745,006)	(169,282)
Unrestricted (deficit)	(1,603,615)	-	(1,603,615)
TOTAL NET POSITION (DEFICIT)	<u>\$ 14,300,118</u>	<u>\$ (583,521)</u>	<u>\$ 13,716,597</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 21,137,389	\$ 58,721	\$ 10,556,259	\$ -
Support services:				
Student	450,190	-	102,083	-
Instructional staff	510,593	-	88,495	-
District administration	896,910	-	220,677	-
School administration	1,924,996	-	446,400	-
Business	964,231	-	201,141	-
Plant operations and maintenance	3,261,933	-	632,219	-
Student transportation	1,350,849	-	294,830	-
Other instructional	3,697	-	-	-
Community services activities	327,079	436,850	-	-
Interest on long-term debt	1,679,973	-	2,126,392	-
Bond premium (discount)	9,754	-	-	-
Bond fees/issuance cost	39,900	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 32,557,494</u>	<u>\$ 495,571</u>	<u>\$ 14,668,496</u>	<u>\$ -</u>
BUSINESS-TYPE ACTIVITIES:				
Food service	\$ 2,323,553	\$ 196,002	\$ 2,100,158	\$ -
Day care	593,905	349,121	205,199	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 2,917,458</u>	<u>\$ 545,123</u>	<u>\$ 2,305,357</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 35,474,952</u>	<u>\$ 1,040,694</u>	<u>\$ 16,973,853</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (10,522,409)		\$ (10,522,409)
(348,107)		(348,107)
(422,098)		(422,098)
(676,233)		(676,233)
(1,478,596)		(1,478,596)
(763,090)		(763,090)
(2,629,714)		(2,629,714)
(1,056,019)		(1,056,019)
(3,697)		(3,697)
109,771		109,771
446,419		446,419
(9,754)		(9,754)
(39,900)		(39,900)
<u>(17,393,427)</u>		<u>(17,393,427)</u>
	\$ (27,393)	(27,393)
	<u>(39,585)</u>	<u>(39,585)</u>
	<u>(66,978)</u>	<u>(66,978)</u>
		<u>(17,460,405)</u>

GENERAL REVENUES

Taxes			
Property	3,307,649	-	3,307,649
Motor vehicle	409,746	-	409,746
Utilities	633,570	-	633,570
State and formula grants	13,476,292	-	13,476,292
Earnings on investments	77,523	4,335	81,858
Loss on disposal of fixed assets	(180,102)	-	(180,102)
Other local revenues	480,262	-	480,262
Total general revenues	<u>18,204,940</u>	<u>4,335</u>	<u>18,209,275</u>
Change in net position	<u>811,513</u>	<u>(62,643)</u>	<u>748,870</u>
Net position (deficit), July 1, 2017, as previously reported	15,602,263	(175,938)	15,426,325
Restatement for adoption of GASB 75	<u>(2,113,658)</u>	<u>(344,940)</u>	<u>(2,458,598)</u>
Net position (deficit), July 1, 2017, as restated	<u>13,488,605</u>	<u>(520,878)</u>	<u>12,967,727</u>
Net position (deficit), June 30, 2018	<u>\$ 14,300,118</u>	<u>\$ (583,521)</u>	<u>\$ 13,716,597</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 4,605,246	\$ -	\$ 5,850,344	\$ 10,455,590
Cash with fiscal agents	-	-	4,185	4,185
Accounts receivable:				
Taxes – current	65,701	-	-	65,701
Accounts receivable	32,157	10,910	-	43,067
Intergovernmental – state	-	118,861	-	118,861
Intergovernmental – federal	-	304,481	-	304,481
Interfund receivable	220,548	-	-	220,548
Prepaid expenditures	49,942	-	-	49,942
TOTAL ASSETS AND RESOURCES	<u>\$ 4,973,594</u>	<u>\$ 434,252</u>	<u>\$ 5,854,529</u>	<u>\$ 11,262,375</u>
LIABILITIES				
Accounts payable	\$ 204,789	\$ 26,407	\$ 625,888	\$ 857,084
Accrued interest payable	-	-	4,185	4,185
Construction retainage payable	-	-	1,528,525	1,528,525
Interfund payable	-	220,548	-	220,548
Deferred revenue	-	187,297	-	187,297
TOTAL LIABILITIES	<u>204,789</u>	<u>434,252</u>	<u>2,158,598</u>	<u>2,797,639</u>
FUND BALANCES				
Restricted				
Sick leave payable	95,000	-	-	95,000
Future construction projects (BG-1)	-	-	3,631,473	3,631,473
Other	-	-	64,458	64,458
Committed				
Other	354,367	-	-	354,367
Assigned				
Site based carry forward	36,529	-	-	36,529
Other	89,828	-	-	89,828
Unassigned	4,193,081	-	-	4,193,081
TOTAL FUND BALANCES	<u>4,768,805</u>	<u>-</u>	<u>3,695,931</u>	<u>8,464,736</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,973,594</u>	<u>\$ 434,252</u>	<u>\$ 5,854,529</u>	<u>\$ 11,262,375</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2018

Total fund balances – governmental funds	\$ 8,464,736
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$96,786,202, and the accumulated depreciation is \$23,901,861.	72,884,341
Bond discounts, net of amortization are not current financial resources and therefore are reported as deferred outflows of resources in governmental funds.	545,936
Bond premiums, net of amortization are not current financial resources (uses) and therefore are reported as deferred inflows of resources in governmental funds.	(161,598)
CERS contributions subsequent to the measurement date \$(524,083) net of the net difference between projected and actual earnings on CERS pension and OPEB plan investments, change in assumptions, etc. \$(1,581,498) are reported as deferred outflows (inflows) of resources in governmental funds.	(1,057,415)
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(57,556,332)
Accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(471,000)
Insurance claims liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(71,884)
Net CERS pension and OPEB liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(8,276,666)</u>
Total Net Position - Governmental Activities	<u>\$ 14,300,118</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General Fund	Special Revenue
REVENUES		
From local sources:		
Taxes		
Property	\$ 2,473,871	\$ -
Motor vehicle	409,746	-
Utilities	633,570	-
Earnings on investments	73,018	-
Other local revenues	558,503	417,330
Intergovernmental – state	19,660,571	1,569,851
Intergovernmental – indirect federal	65,756	-
Intergovernmental – direct federal	-	2,874,986
TOTAL REVENUES	<u>23,875,035</u>	<u>4,862,167</u>
EXPENDITURES		
Instruction	15,357,577	4,348,425
Support services:		
Student	384,211	30,000
Instructional staff	333,069	152,202
District administration	830,564	-
School administration	1,680,121	73,710
Business	824,483	-
Plant operations and maintenance	2,376,009	-
Student transportation	1,109,654	19,527
Other instructional	3,697	-
Land improvements	99,089	-
Building acquisitions and construction	-	-
Community services activities	-	229,567
Payment of bonds and note	-	-
Payment of interest	-	-
TOTAL EXPENDITURES	<u>22,998,474</u>	<u>4,853,431</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>876,561</u>	<u>8,736</u>
OTHER FINANCING SOURCES (USES)		
Bond proceeds	-	-
Bond premium (discount)	-	-
Bond fees/issuance costs	-	-
Operating transfers in	289,304	56,656
Operating transfers out	(680,194)	(65,392)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(390,890)</u>	<u>(8,736)</u>
NET CHANGES IN FUND BALANCES	485,671	-
FUND BALANCES, JULY 1, 2017	<u>4,283,134</u>	<u>-</u>
FUND BALANCES, JUNE 30, 2018	<u>\$ 4,768,805</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 833,778	\$ 3,307,649
-	409,746
-	633,570
4,505	77,523
-	975,833
3,770,805	25,001,227
-	65,756
<u>202,819</u>	<u>3,077,805</u>
<u>4,811,907</u>	<u>33,549,109</u>
-	19,706,002
-	414,211
-	485,271
-	830,564
-	1,753,831
-	824,483
-	2,376,009
-	1,129,181
-	3,697
-	99,089
13,363,326	13,363,326
-	229,567
2,839,778	2,839,778
<u>1,679,973</u>	<u>1,679,973</u>
<u>17,883,077</u>	<u>45,734,982</u>
<u>(13,071,170)</u>	<u>(12,185,873)</u>
3,600,000	3,600,000
(72,000)	(72,000)
(39,900)	(39,900)
3,060,097	3,406,057
<u>(2,660,471)</u>	<u>(3,406,057)</u>
<u>3,887,726</u>	<u>3,488,100</u>
(9,183,444)	(8,697,773)
<u>12,879,375</u>	<u>17,162,509</u>
<u>\$ 3,695,931</u>	<u>\$ 8,464,736</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Total Net Change In Fund Balances per fund financial statements **\$ (8,697,773)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays to purchase or build capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which the current year capital outlays exceeded the current year depreciation expense.

Depreciation	\$ (1,583,232)	
Capital outlays	<u>13,723,475</u>	12,140,243

The difference between the proceeds related to the sale of capital assets, and the net book value of those assets disposed of during the year, is shown as a gain (loss) on disposal of capital assets on the statement of activities, while this is not reported in the governmental funds, as the costs of these capital assets were reported as an expenditure at the time of acquisition. (180,102)

Bond proceeds are reported as other financing sources in the governmental funds but are shown as an increase in noncurrent liabilities in the statement of net position. (3,600,000)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 2,839,778

Discounts (premiums) on bonds are reported in the governmental funds as other financing sources. However, for governmental activities, those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities. 62,246

Compensated absences (sick leave) are measured by the amounts earned during the year in the statement of activities. In the governmental funds, expenditures for these amounts are measured by the amount of financial resources used (the amount paid). The difference in expenses reported in the statement of activities is a result of the change in accumulated sick leave. (1,984)

Payments on the insurance claims payable are recognized as expenditures of current financial resources in the governmental funds financial statement but are a reduction of the liability in the statement of net position. 23,961

CERS and OPEB payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are shown as deferred (inflows) on the statement of net position. (1,774,856)

Change In Net Position of Governmental Activities **\$ 811,513**

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

<u>ASSETS</u>	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 355,841	\$ 310,195	\$ 666,036
Materials and supplies inventory	21,954	-	21,954
Accounts receivable:			
Accounts receivable	28,017	528	28,545
Intergovernmental – federal	83,008	-	83,008
Total current assets	<u>488,820</u>	<u>310,723</u>	<u>799,543</u>
NONCURRENT ASSETS			
Capital assets, net	<u>161,485</u>	<u>-</u>	<u>161,485</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>196,324</u>	<u>-</u>	<u>196,324</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>846,629</u>	<u>310,723</u>	<u>1,157,352</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	<u>14,479</u>	<u>6,784</u>	<u>21,263</u>
NONCURRENT LIABILITIES			
Net pension liability – CERS	1,005,410	-	1,005,410
Net OPEB liability – CERS	<u>345,312</u>	<u>-</u>	<u>345,312</u>
Total noncurrent liabilities	<u>1,350,722</u>	<u>-</u>	<u>1,350,722</u>
DEFERRED INFLOWS OF RESOURCES	<u>368,888</u>	<u>-</u>	<u>368,888</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,734,089</u>	<u>6,784</u>	<u>1,740,873</u>
NET POSITION			
Net investment in capital assets	161,485	-	161,485
Restricted (deficit)	<u>(1,048,945)</u>	<u>303,939</u>	<u>(745,006)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (887,460)</u>	<u>\$ 303,939</u>	<u>\$ (583,521)</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2018

	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
OPERATING REVENUES			
Tuition and fees	\$ -	\$ 349,121	\$ 349,121
Sales	<u>196,002</u>	<u>-</u>	<u>196,002</u>
TOTAL OPERATING REVENUES	<u>196,002</u>	<u>349,121</u>	<u>545,123</u>
OPERATING EXPENSES			
Salaries	482,468	252,421	734,889
Employee benefits	317,711	48,954	366,665
On-behalf payments	596,356	157,798	754,154
Purchased services	22,736	22,867	45,603
Supplies and materials	836,426	102,970	939,396
Property	50,692	-	50,692
Depreciation	14,321	-	14,321
Debt service and miscellaneous	<u>2,843</u>	<u>8,895</u>	<u>11,738</u>
TOTAL OPERATING EXPENSES	<u>2,323,553</u>	<u>593,905</u>	<u>2,917,458</u>
OPERATING INCOME (LOSS)	<u>(2,127,551)</u>	<u>(244,784)</u>	<u>(2,372,335)</u>
NON-OPERATING REVENUES (EXPENSES)			
Operating grants – federal	1,390,863	-	1,390,863
Operating grants – state	609,219	205,199	814,418
Donated commodities	100,076	-	100,076
Interest income	<u>4,335</u>	<u>-</u>	<u>4,335</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,104,493</u>	<u>205,199</u>	<u>2,309,692</u>
CHANGES IN NET POSITION	<u>(23,058)</u>	<u>(39,585)</u>	<u>(62,643)</u>
NET POSITION (DEFICIT), JULY 1, 2017, as previously reported	(519,462)	343,524	(175,938)
Restatement for adoption of GASB 75	<u>(344,940)</u>	<u>-</u>	<u>(344,940)</u>
NET POSITION (DEFICIT), JULY 1, 2017, as restated	<u>(864,402)</u>	<u>343,524</u>	<u>(520,878)</u>
NET POSITION (DEFICIT), JUNE 30, 2018	<u>\$ (887,460)</u>	<u>\$ 303,939</u>	<u>\$ (583,521)</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018

	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from tuition and fees	\$ -	\$ 348,593	\$ 348,593
Cash received from sales	179,483	-	179,483
Cash payments for salaries and employee benefits	(1,210,244)	(459,173)	(1,669,417)
Cash payments for purchased services	(22,736)	(22,867)	(45,603)
Cash payments for supplies, materials and miscellaneous	(892,405)	(112,350)	(1,004,755)
Net cash provided (used) by operating activities	<u>(1,945,902)</u>	<u>(245,797)</u>	<u>(2,191,699)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Construction in progress	(121,567)	-	(121,567)
Net cash provided (used) by capital and related financing activities	<u>(121,567)</u>	<u>-</u>	<u>(121,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	4,335	-	4,335
Receipt of grants	2,000,082	205,199	2,205,281
Receipt of donated commodities	100,076	-	100,076
Net cash provided (used) by investing activities	<u>2,104,493</u>	<u>205,199</u>	<u>2,309,692</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,024	(40,598)	(3,574)
CASH AND CASH EQUIVALENTS, JULY 1, 2017	<u>318,817</u>	<u>350,793</u>	<u>669,610</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2018	<u>\$ 355,841</u>	<u>\$ 310,195</u>	<u>\$ 666,036</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$(2,127,551)	\$ (244,784)	\$(2,372,335)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Depreciation	14,321	-	14,321
Changes in assets and liabilities:			
Accounts receivable	(16,519)	(528)	(17,047)
Inventory	5,722	-	5,722
Deferred outflows of resources	(107,066)	-	(107,066)
Accounts payable	(8,166)	(485)	(8,651)
Deferred inflows of resources	122,705	-	122,705
Net pension liability	96,193	-	96,193
Net OPEB liability	74,459	-	74,459
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,945,902)</u>	<u>\$ (245,797)</u>	<u>\$ (2,191,699)</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Donated commodities received from federal government	<u>\$ 100,076</u>
On-behalf payments from state government	<u>\$ 754,154</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents

Accounts receivable

TOTAL ASSETS

School
Activity
Funds

\$ 267,186

2,487

269,673

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable

Due to students

TOTAL LIABILITIES

2,547

267,126

269,673

NET POSITION

\$ -

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Corbin Independent School District are summarized as follows:

REPORTING ENTITY

The Corbin Independent Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Corbin Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Corbin Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statement of the following organization is included in the accompanying financial statements:

CORBIN INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION

The Corbin Independent Board of Education resolved to authorize the establishment of the Corbin Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Corbin Independent Board of Education also comprise the corporation's Board of Directors.

BASIS OF PRESENTATION

Government-Wide Financial Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

- (B) The Day Care Fund is used to account for the day care operations of the District.

III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. This fund is accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are "intended to finance" future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments. The District only invests in certificates of deposit.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS/EXPENDITURES

Payments made that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption, if any. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District adheres to the property inventory procedures developed by the Kentucky Department of Education. Fixed assets (real property) with an acquisition value of \$5,000 or more that have useful lives of more than one year are capitalized. As of July 1, 2017, all computer workstations and laptops, regardless of value, are capitalized but not depreciated. Additional items may also be designated by the District as capital assets. Fixed assets no longer needed or useable are disposed of in compliance with Board policy and applicable legal requirements.

All reported capital assets, with the exception of land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as operating expenses (net) in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District, an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account restricted for sick leave payable in the general fund. The non-current portion of the liability is not reported in the governmental fund financial statements.

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

KENTUCKY RETIREMENT SYSTEMS

Employer contributions to KRS are calculated based upon creditable compensation for active members reported by employers. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions.

POSTEMPLOYMENT BENEFITS OTHER THAN OPEBS (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

NET POSITION

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the Corbin Independent School District's Board members. Any changes or removal of specific purposes also requires majority action by the Board.

Assigned Fund Balance – Portion of fund balance that has been budgeted by the District.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.
- *Site Base* – Portion of fund balance that has been budgeted for future site base expenditures.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and tuition and fees charged for the day-care operations.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All unencumbered budget appropriations lapse at year end.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* by State and Local Government Employees, which became effective for fiscal years beginning after June 15, 2017. It requires that certain disclosures regarding postemployment benefits other than OPEBs for employees of school districts be included in their financial statements. This statement was adopted during the fiscal year ended June 30, 2018 and required a restatement to net position of \$(2,458,598).

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation coverage.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2018, the carrying amount of the District's deposits (cash and cash equivalents) was \$11,121,626 and the bank balance was \$12,046,143. The bank balance at June 30, 2018 was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of banks utilized during fiscal year: Whitaker Bank and Forcht Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$22,560,714.
- c. Largest cash, savings and time deposit combined account balance amounted to \$22,153,606 and occurred during the month of July, 2017.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 per bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

These three levels of risk are as follows:

- | | |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name. |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits which are not collateralized or insured. |

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and 2.

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2018 fiscal year was based, was \$420,131,668. The tax rates assessed for the year ended June 30, 2018 to finance general fund operations were \$.667 per \$100 valuation for real estate, \$.641 per \$100 valuation for tangible property and \$.693 for motor vehicles. The District committed \$.059 of the levy to the FSPK Fund. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2018 were ninety-seven percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

At June 30, 2018, the components of taxes receivable were as follows:

General property tax	\$ 11,171
Delinquent property tax	16,301
Motor vehicle tax	37,495
PSC property tax	734
	<u>\$ 65,701</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2018 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES

Changes in the District's deferred outflows (inflows) of resources during the fiscal year 2018 were as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Discount on bonds, net	\$ 502,517	\$ 72,000	\$ (28,581)	\$ 545,936
Premium on bonds, net	\$ (180,425)	\$ 18,827	\$ -	\$ (161,598)
			Deferred Outflows of Resources	Deferred Inflows of Resources
County Employee Retirement System (CERS) - Pension				
Balance, July 1, 2017			\$ 567,845	\$ (1,101,383)
Contributions subsequent to the measurement date:				
June 30, 2017			(567,845)	-
June 30, 2018			460,258	-
Liability experience			181,907	(8,888)
Investment experience			478,913	(12,506)
Assumption changes			-	(1,009,581)
Difference between expected and actual results			-	38,632
Balance, June 30, 2018			\$ 1,121,078	\$ (2,093,726)
County Employee Retirement System (CERS) – OPEB				
Balance, July 1, 2017			\$ 7,478	\$ (535,551)
Contributions subsequent to the measurement date:				
June 30, 2018			149,356	-
Liability experience			6,836	-
Investment experience			-	-
Assumption changes			108,839	-
Difference between expected and actual results			5,711	-
Balance, June 30, 2018			\$ 278,220	\$ (535,551)

NOTE 6 – CAPITAL ASSETS

A summary of capital assets activity during the fiscal year follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
GOVERNMENTAL ACTIVITIES				
Construction in progress	\$ 15,453,091	\$ 13,502,315	\$ -	\$ 28,955,406
Land	4,472,755	-	(30,000)	4,442,755
Land improvements	2,654,107	-	-	2,654,107
Buildings and improvements	51,643,167	12,390	(227,781)	51,427,776
Technology equipment	3,677,681	-	(32,189)	3,645,492
Vehicles	2,604,789	127,374	(6,300)	2,725,863
General equipment	2,853,407	81,396	-	2,934,803
Totals at cost	83,358,997	13,723,475	(296,270)	96,786,202

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Less accumulated depreciation:				
Land improvements	(1,605,262)	-	(66,688)	(1,671,950)
Buildings and improvements	(14,179,443)	78,317	(972,337)	(15,073,463)
Technology equipment	(3,194,384)	31,551	(195,138)	(3,357,971)
Vehicles	(1,705,456)	6,300	(159,893)	(1,859,049)
General equipment	(1,750,252)	-	(189,176)	(1,939,428)
Total accumulated depreciation	<u>(22,434,797)</u>	<u>116,168</u>	<u>(1,583,232)</u>	<u>(23,901,861)</u>
Governmental activities capital assets, net	<u>\$ 60,924,200</u>	<u>\$ 13,839,643</u>	<u>\$ (1,879,502)</u>	<u>\$ 72,884,341</u>
BUSINESS-TYPE ACTIVITIES				
Construction in progress	\$ -	\$ 121,567	\$ -	\$ 121,567
Food service equipment	530,897	-	-	530,897
Vehicles	40,567	-	-	40,567
Technology equipment	47,707	-	-	47,707
Totals at cost	<u>619,171</u>	<u>121,567</u>	<u>-</u>	<u>740,738</u>
Less accumulated depreciation:				
Food service equipment	(493,792)	-	(9,031)	(502,823)
Vehicles	(25,438)	-	(4,341)	(29,779)
Technology equipment	(45,702)	-	(949)	(46,651)
Total accumulated depreciation	<u>(564,932)</u>	<u>-</u>	<u>(14,321)</u>	<u>(579,253)</u>
Business-type activities capital assets, net	<u>\$ 54,239</u>	<u>\$ 121,567</u>	<u>\$ (14,321)</u>	<u>\$ 161,485</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 826,609
Support services:	
Student	3,942
Instructional staff	16,648
District administration	24,280
School administration	3,267
Business	942
Plant operations and maintenance	551,955
Student transportation	151,758
Community services activities	3,831
Total governmental activities	<u>\$ 1,583,232</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – ACCUMULATED SICK LEAVE LIABILITY

Changes in the District's accumulated sick leave liability during the fiscal year 2018 were as follows:

	Balance July 1, 2017	Payments	Additions	Balance June 30, 2018	Amount Expected to be Paid Within One Year
Governmental activities:					
Accumulated sick leave	\$ (469,016)	\$ 61,540	\$ (63,524)	\$ (471,000)	\$ (95,000)

NOTE 8 – NOTE PAYABLE AND BONDED DEBT OBLIGATIONS

The District purchased property from the Sisters of Divine Providence in December 2013 to be used for the construction of a new middle school. The property was purchased with the execution of a promissory note to the Sisters of Divine Providence in the amount of \$1,000,000. The note is to be paid in five equal payments each December until retired. The note bears no interest and the Board chose not to impute interest due to immateriality.

The following is a summary of the District's note payable transactions for the year ended June 30, 2018:

	Debt Outstanding July 1, 2017	Additions of New Debt	Repayments	Debt Outstanding June 30, 2018
Governmental activities:				
Note payable	\$ 200,000	\$ -	\$ 200,000	\$ -

The District, through the General Fund (including utility taxes, Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Corbin Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property at any time by retiring the bonds then outstanding.

The original amount of each issue, the issue date, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
2011R	\$ 396,000	1.75%
2011	950,000	2.1% to 3.05%
QZAB 2011	5,000,000	4.35%
2012	2,600,000	1.5% to 3.00%
2014R	9,605,000	2.0% to 3.75%
QZAB 2014	1,395,000	1.0%
2015	1,626,000	1.4% to 4.0%
2016	28,350,000	2.0% to 3.25%
2016R	10,755,000	2.0% to 3.0%
2018	3,600,000	3.0% to 3.5%

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – NOTE PAYABLE AND BONDED DEBT OBLIGATIONS (CONTINUED)

The following is a summary of the District's bonded debt transactions for the year ended June 30, 2018:

	Debt Outstanding July 1, 2017	Additions of New Debt	Repayments	Debt Outstanding June 30, 2018	Amount Expected to be Paid Within One Year
Governmental activities:					
General obligation bonds	\$ 51,650,000	\$ 3,600,000	\$ 2,332,000	\$ 52,918,000	\$ 2,578,000
Qualified zone academy bonds	4,946,110	-	307,778	4,638,332	307,778
	<u>\$ 56,596,110</u>	<u>\$ 3,600,000</u>	<u>\$ 2,639,778</u>	<u>\$ 57,556,332</u>	<u>\$ 2,885,778</u>

In 2018, the District issued \$3,600,000 of School Building Revenue Bonds for improvements at the Corbin Primary School. After deducting the costs of issuance of \$39,900 and bond discount of \$72,000, proceeds in the amount of \$3,488,100 were deposited into the construction fund.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2018 for debt service (principal and interest) are as follows:

Year	Kentucky School Facility Construction Commission		Corbin Independent School District		Total
	Principal	Interest	Principal	Interest	
2018-19	\$ 1,161,472	\$ 669,912	\$ 1,416,528	\$ 845,543	\$ 4,093,455
2019-20	1,183,152	648,509	1,445,848	819,189	4,096,698
2020-21	1,180,968	624,873	1,471,032	789,499	4,066,372
2021-22	1,183,047	600,715	1,500,953	758,877	4,043,592
2022-23	1,206,481	576,127	1,539,519	725,946	4,048,073
2023-24	1,233,920	550,303	1,569,080	691,065	4,044,368
2024-25	1,269,811	513,688	1,620,189	644,309	4,047,997
2025-26	1,306,807	476,008	1,725,193	594,991	4,102,999
2026-27	1,346,251	437,029	1,818,749	541,954	4,143,983
2027-28	1,313,610	396,705	1,898,390	466,185	4,074,890
2028-29	1,353,529	357,271	1,960,471	402,367	4,073,638
2029-30	1,373,164	316,530	2,038,836	332,109	4,060,639
2030-31	1,361,450	275,549	1,453,550	289,066	3,379,615
2031-32	1,404,706	234,173	1,496,294	244,912	3,380,085
2032-33	1,433,200	189,963	1,551,800	198,068	3,373,031
2033-34	1,390,981	145,535	1,363,019	153,079	3,052,614
2034-35	1,435,872	99,377	1,407,128	108,559	3,050,936

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – NOTE PAYABLE AND BONDED DEBT OBLIGATIONS (CONTINUED)

Year	Kentucky School Facility Construction Commission		Corbin Independent School District		Total
	Principal	Interest	Principal	Interest	
2035-36	1,458,305	52,207	1,484,695	62,603	3,057,810
2036-37	80,458	5,721	194,542	13,879	294,600
2037-38	82,999	2,905	202,001	7,070	294,975
	<u>\$ 23,760,183</u>	<u>\$ 7,173,100</u>	<u>\$ 29,157,817</u>	<u>\$ 8,689,270</u>	<u>\$ 68,780,370</u>

The District issued \$5,000,000 of Qualified Zone Academy Bonds, Series 2011 to fund additions and renovations at the Corbin High School. This bond issue will be funded through sinking fund payments and matures September 2029. This bond issue was issued as "specified tax credit bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 as codified in various section of the Internal Revenue Code of 1986, as amended. The District has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the District on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such bonds had the bonds been issued as "tax credit bonds" (the "Applicable Credit Rate"). The available cash subsidy payment for the bonds will be paid directly to the District and will not constitute security for the payment of principal of or any interest on the bonds.

The following represents the future minimum obligations of the District related to the QZAB issues and include amounts to be paid by the SFCC (School Facility Construction Commission) and the federal government, at June 30, 2018 for debt service (principal and interest):

Year	Corbin Independent School District		Corbin Independent School District Sinking Fund	Kentucky School Facility Construction Commission Sinking Fund	(ARRA) Direct Pay Interest	2011 QZAB	
	Principal	Interest				Principal	Total
2018-19	\$ 30,000	\$ 12,900	\$ 100,032	\$ 177,746	\$ 217,500	\$ -	\$ 538,178
2019-20	30,000	12,600	100,032	177,746	217,500	-	537,878
2020-21	30,000	12,300	100,032	177,746	217,500	-	537,578
2021-22	30,000	12,000	100,032	177,746	217,500	-	537,278
2022-23	30,000	11,700	100,032	177,746	217,500	-	536,978
2023-24	30,000	11,400	100,032	177,746	217,500	-	536,678
2024-25	30,000	11,100	100,032	177,746	217,500	-	536,378
2025-26	30,000	10,800	40,526	177,746	217,500	-	476,572
2026-27	30,000	10,500	-	-	217,500	-	258,000
2027-28	30,000	10,200	-	-	217,500	-	257,700
2028-29	30,000	9,900	-	-	217,500	-	257,400
2029-30	30,000	9,600	-	-	108,750	1,170,614	1,318,964
2030-31	95,000	8,975	-	-	-	-	103,975
2031-32	95,000	8,025	-	-	-	-	103,025
2032-33	95,000	7,075	-	-	-	-	102,075
2033-34	330,000	4,950	-	-	-	-	334,950
2034-35	330,000	1,650	-	-	-	-	331,650
	<u>\$ 1,305,000</u>	<u>\$ 165,675</u>	<u>\$ 740,750</u>	<u>\$ 1,421,968</u>	<u>\$ 2,501,250</u>	<u>\$ 1,170,614</u>	<u>\$ 7,305,257</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District obtained coverage through commercial insurance carriers. The District pays an annual premium for coverage.

The District was assessed a total of \$238,946 due to the Kentucky School Board Insurance Trust shortfall in fiscal year 2015. The assessment was divided into two components; workers compensation assessments totaling \$191,688, and property and liability assessments totaling \$47,258. The District chose to pay the entire amount of the property and liability assessment before August 31, 2014. For the workers compensation assessment, the District has several options of repayment of the liability but has chosen the zero interest option which will require them to pay 25% of the assessment by August 31, 2014 and the remainder over the next six years in equal installments. There were no changes in the assessment during the year ending June 30, 2018.

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

NOTE 10 – PENSION PLANS

Plan Descriptions

The Corbin Independent School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Employees Retirement Systems (KERS) administers the CERS. The TRS and CERS issue publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salary for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of credited service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

University employees receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; and (e) three percent (3%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; and (d) two percent (2%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2018, was 16.105 percent of salaries for federally funded employees and 3.00 percent of salaries for non-federally funded employees. Contributions to the pension plan from the District were \$460,258.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. The related State share of the net pension liability was \$102,330,708.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the District's proportion was zero percent.

For the year ended June 30, 2018, the District recognized pension expense of \$3,635,747 and revenue of \$3,635,747 for support provided by the State. At June 30, 2018, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2017 was based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

Inflation	2.30%
Salary Increases	3.05%, average
Investment Rate of Return	5.25% for KERS non-hazardous

The mortality table used for active members in RP-2000 Combined Mortality Table projected with Scale BB to 2013 (Multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	6.75% for KERS non-hazardous

Discount Rate

The projection of cash flows used to determine the discount rate of 5.25% for the KERS non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major assets class are summarized in the CAFR.

Asset Class	Target Allocation
Domestic and International Equities	63.5%
Fixed Income	15.8%
Additional Categories	7.2%
Real Estate	5.7%
Alternative Investments	6.4%
Cash	1.4%
Total	<u>100.0%</u>

Net Pension Liability

The following table presents the net pension liability of TRS, calculated using the discount rate of 4.49%, as well as what TRS's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.49%) or 1-percentage-point higher (5.49%) than the current rate:

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

	1% Decrease (3.49%)	Current Discount Rate (4.49%)	1% Increase (5.49%)
Systems' Net Pension Liability	<u>\$ 132,832,057</u>	<u>\$ 102,330,108</u>	<u>\$ 86,087,550</u>

June 30, 2016 is the actuarial valuation date upon which the TPL is based. The TPL as of June 30, 2017 was determined using a discount rate of 4.49%, which was based on a municipal bond index rate as of that date equal to 3.56%. An expected TPL is determined as of June 30, 2017 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate for the year. The final TPL as of June 30, 2017 reflects that the assumed municipal bond index rate increase from 3.01% to 3.56%, resulting in a change in the SEIR from 4.20% to 4.49%. The impact of this change in the discount rate is a change in assumptions that is added to the expected TPL to determine the final TPL as of June 30, 2017.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report available at <http://www.ktrs.ky.gov/>.

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2018, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Plan members who began participating after September 1, 2008 were required to contribute 6% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first date of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2018, was 19.18 percent of annual creditable compensation. Contributions to the pension plan from the District were \$460,258.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability of \$7,166,146 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.122429 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$1,551,815. At June 30, 2018, the District reported deferred inflows of resources of \$2,093,726 and deferred outflows of resources of \$1,121,078 related to pensions. The amount reported as deferred inflows for District contributions subsequent to the measurement date of \$460,258 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	<u>Allocation</u>
2018	\$ 663,929
2019	604,516
2020	256,478
2021	(92,017)
	<u>\$ 1,432,906</u>

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2017 was based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary Increases	3.05%, average
Investment Rate of Return	6.25% for CERS non-hazardous

The mortality table used for active members in RP-2000 Combined Mortality Table projected with Scale BB to 2013 (Multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for the CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major assets class are summarized in the CAFR.

<u>Asset Class</u>	<u>Target Allocation</u>
US Equity	17.5%
Non US Equity	17.5%
Global Fixed Income	4.0%
Credit Fixed Income	24.0%
Real Estate	5.0%
Absolute Return	10.0%
Real Return	10.0%
Private Equity ST <5 Yrs	10.0%
Private Equity LT 5+Yrs	
Cash	<u>2.0%</u>
	<u>100.0%</u>

Actuarial Methods and Assumptions Used to Determine the Actuarial Determined Contribution

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.50% for CERS non-hazardous

Deferred Inflows and Outflows of Resources

The deferred inflows and outflows of resources, and pension expense included in the Schedule of Pension Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2017, is based on the June 30, 2016, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 9,038,059	\$ 7,166,146	\$ 5,600,305

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement who do not perform the investing function for these plans, to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN

General Information

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District reported a liability of \$2,461,242 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .122429 percent.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 7,135,000
State's proportionate share of the net OPEB liability associated with the District	<u>5,829,000</u>
Total	<u>\$ 12,964,000</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,177,046 and revenue of \$2,896,579 for support provided by the State.

Of the total amount reported as deferred outflows of resources related to OPEB, \$149,356 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

<u>Year</u>	
2018	\$ 69,974
2019	69,974
2020	69,974
2021	69,974
2022	99,053
Thereafter	<u>27,735</u>
	<u>\$ 406,684</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumption (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories*	10.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	<u>100.0%</u>	

*Modeled as 50% High Yield and 50% Bank Loans

Discount rate – The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	<u>1% Decrease (4.84%)</u>	<u>Current Discount Rate (5.84%)</u>	<u>1% Increase (6.84%)</u>
Systems' net pension liability	<u>\$ 3,131,794</u>	<u>\$ 2,461,242</u>	<u>\$ 1,903,237</u>

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	<u>\$ 1,887,899</u>	<u>\$ 2,461,242</u>	<u>\$ 3,206,553</u>

Life Insurance Plan

Plan description – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	78,000
Total	<u>\$ 78,000</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$4,696 and revenue of \$4,696 for support provided by the State.

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projections scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class*</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Large Cap Equity	38.4%	4.3%
U.S Small Cap Equity	2.6%	4.8%
Developed Int'l Equity	15.8%	5.2%
Emerging Markets Equity	4.2%	5.4%
Fixed Income – Inv Grade	16.0%	1.2%
Real Estate	6.0%	4.0%
Private Equity	7.0%	6.6%
High Yield	2.0%	4.3%
Other Additional Categories**	7.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	<u>100.0%</u>	

*As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.

**Modeled as 50% High Yield and 50% Bank Loans.

Discount rate – The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Systems' net pension liability	<u>\$ 129,540</u>	<u>\$ 78,000</u>	<u>\$ 35,740</u>

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

No provision was made in the accompanying financial statements for any contingent liabilities.

NOTE 13 – DEFICIT OPERATING/FUND BALANCES

The District did not have any deficit fund balances at June 30, 2018.

The following fund had operations that resulted in a current year operating deficit in governmental funds, resulting in a corresponding reduction in fund balance, as follows:

	<u>Amount</u>
Construction Fund	\$ 9,247,183

NOTE 14 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Building/FSPK	Debt Service	Debt service requirement	\$ 2,193,359
Operating	General	Special Revenue	Matching – Phase II Technology	56,656
Operating	Capital Outlay	Construction	Construction	200,000
Operating	Special Revenue	General	Reimbursement	13,422
Operating	Building/FSPK	General	Bus acquisition	120,000
Operating	Special Revenue	Building/FSPK	Debt service requirement	43,200
Operating	General	Construction	Construction	623,538
Operating	Capital Outlay	General	Insurance	69,787
Operating	Special Revenue	General	Indirect Costs Transfer	8,770
Operating	Building/FSPK	General	Insurance	77,325

NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2018, the District had a negative cash balance of \$220,548 in the Special Revenue Fund due to grant/project monies not being received by year-end. Since the District maintains an internal investment pool for cash, the General Fund is essentially lending this amount to the overdrawn fund. An interfund receivable of \$220,548 has been recognized in the General Fund and an interfund payable in the Special Revenue Fund at June 30, 2018.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 – ON-BEHALF PAYMENTS

As amounts are paid by various State agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with State revenue, and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications, and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2018 is as follows:

Teacher's Retirement System (TRS) – GASB 68	\$ 3,635,747
Teacher's Retirement System (TRS) – GASB 75	283,477
Health insurance	2,930,494
Life insurance	4,696
Administrative fee	38,693
Health reimbursement account – HRA/Dental/Vision	164,679
Federal reimbursements of health benefits	(237,288)
Technology	70,848
School Facilities Construction Commission (SFCC) debt service	<u>1,923,573</u>
	<u>\$ 8,814,919</u>

NOTE 17 – FUND BALANCE DESIGNATIONS

The following governmental funds had restricted fund balances:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 95,000	Accumulated sick leave
Construction	3,631,473	Future construction
SEEK Capital Outlay	2,363	Other
FSPK	62,095	Other

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the District was required to adopt Government Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. It requires that certain disclosures regarding post employment benefits other than OPEBs for employees of school districts be included in their financial statements.

GASB 75 required retrospective application. Since the District only presents one year of financial information, the beginning net OPEB liability was adjusted to reflect the retrospective application. The adjustment resulted in a \$2,458,598 reduction in beginning net position on the Statement of Activities and an increase of \$535,551 of deferred outflows of resources, and \$7,478 of deferred inflows.

NOTE 19 – SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through September 13, 2018, the date on which we issued our financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Years Ended June 30,

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:				
District and PSCA's proportion of the net pension liability	.122429%	.11991%	.113222%	.111387%
District and PSCA's proportionate share of the net pension liability	\$ 7,166,146	\$ 5,904,085	\$ 4,867,988	\$ 3,614,000
District and PSCA's covered-employee payroll	\$ 3,014,779	\$ 3,025,999	\$ 2,896,397	\$ 2,667,016
District and PSCA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	237.70%	195.11%	168.07%	135.51%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%
TEACHER'S RETIREMENT SYSTEM:				
District's proportion of the net pension liability	0%	0%	0%	0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$102,330,708	\$110,207,978	\$ 84,164,493	\$ 73,093,386
District's covered-employee payroll	\$ 11,888,795	\$ 12,724,226	\$ 12,411,560	\$ 11,610,462
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	13.32%	14.80%	18.83%	22.32%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF PENSION CONTRIBUTIONS
Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:				
Contractually required contribution	\$ 460,258	\$ 567,845	\$ 494,087	\$ 612,515
Contributions in relation to the contractually required contribution	<u>(460,258)</u>	<u>(567,845)</u>	<u>(494,087)</u>	<u>(612,515)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District and PSCA's covered-employee payroll	\$ 3,014,779	\$ 3,025,999	\$ 2,896,397	\$ 2,667,016
District and PSCA's contributions as a percentage of its covered-employee payroll	19.18%	18.68%	17.06%	17.67%
TEACHER'S RETIREMENT SYSTEM:				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 11,888,795	\$ 12,724,226	\$ 12,411,560	\$ 11,610,462
District's contributions as a percentage of its covered-employee payroll	0%	0%	0%	0%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

(1) CHANGES OF ASSUMPTIONS

TRS/CERS

The assumption changes are noted below.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

TRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years, closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Projected Salary Increase	4%, average
Investment Rate of Return	6.75%

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated on an annual basis on an experience study of July 1, 2008 – June 30, 2013. The amortization period of the unfunded liability has been reset as of June 30, 2015 to a closed 28-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	28 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.5%

(3) CHANGES OF BENEFITS

There were no changes of benefit terms for TRS or CERS.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MEDICAL INSURANCE
PLAN
Year Ended June 30,

	Reporting Fiscal Year (Measurement Date) 2018 <u>(2017)</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
District and PSCA's proportion of the net OPEB liability	.122429%
District and PSCA's proportionate share of the net OPEB liability	\$ 2,461,242
District and PSCA's covered-employee payroll	\$ 3,014,779
District and PSCA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	81.64%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%
TEACHER'S RETIREMENT SYSTEM:	
District's proportion of the collective net OPEB liability	.200106%
District's proportionate share of the collective net OPEB liability	\$ 7,135,000
State's proportionate share of the collective net OPEB liability associated with the District	<u>5,829,000</u>
Total	<u>\$ 12,964,000</u>
District's covered-employee payroll	\$ 11,888,795
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	60.01%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF DISTRICT CONTRIBUTIONS – MEDICAL INSURANCE PLAN
Year Ended June 30,

	<u>2018</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
Contractually required contribution	\$ 149,356
Contributions in relation to the contractually required contribution	<u>(149,356)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 3,014,779
District's and PSCA's contributions as a percentage of its covered-employee payroll	4.95%
TEACHER'S RETIREMENT SYSTEM:	
Contractually required contribution	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 11,888,795
District's contributions as a percentage of its covered-employee payroll	0%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% for FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% for FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – LIFE INSURANCE PLAN –
TEACHER'S RETIREMENT SYSTEM KENTUCKY
Year Ended June 30,

	Reporting Fiscal Year (Measurement Date) 2018 (2017)	
District's proportion of the collective net OPEB liability		0%
District's proportionate share of the collective net OPEB liability	\$	-
State's proportionate share of the collective net OPEB liability associated with the District		78,000
Total	<u>\$</u>	<u>78,000</u>
District's covered-employee payroll	\$	11,888,795
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll		0%
Plan fiduciary net position as a percentage of the total OPEB liability		60.01%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF DISTRICT CONTRIBUTIONS – LIFE INSURANCE PLAN – TEACHER'S RETIREMENT SYSTEM
KENTUCKY
Year Ended June 30, 2018

	<u>2018</u>	
Contractually required contribution	\$	-
Contributions in relation to the contractually required contribution	_____	-
Contribution deficiency (excess)	\$	-
District's covered-employee payroll	\$	11,888,795
Contributions as a percentage of covered-employee payroll		0%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

Changes of benefit terms – None.

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Market Value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable or (Unfavorable)
	Original	Final	Actual	
REVENUES				
From local sources:				
Taxes				
Property	\$ 2,353,246	\$ 2,353,246	\$ 2,473,871	\$ 120,625
Motor vehicle	368,520	368,520	409,746	41,226
Utilities	585,000	585,000	633,570	48,570
Earnings on investments	40,000	40,000	73,018	33,018
Other local revenues	271,275	294,275	558,503	264,228
Intergovernmental – state	17,385,563	17,385,563	19,660,571	2,275,008
Intergovernmental – indirect federal	40,000	40,000	65,756	25,756
TOTAL REVENUES	<u>21,043,604</u>	<u>21,066,604</u>	<u>23,875,035</u>	<u>2,808,431</u>
EXPENDITURES				
Instruction	15,262,663	14,993,603	15,357,577	(363,974)
Support services:				
Student	344,854	344,854	384,211	(39,357)
Instructional staff	303,460	303,460	333,069	(29,609)
District administration	753,070	753,070	830,564	(77,494)
School administration	1,470,105	1,470,105	1,680,121	(210,016)
Business	796,282	796,282	824,483	(28,201)
Plant operations and maintenance	2,259,924	2,259,924	2,376,009	(116,085)
Student transportation	1,097,229	1,097,229	1,109,654	(12,425)
Other instructional	11,900	11,900	3,697	8,203
Land improvements	-	100,000	99,089	911
Contingency	2,847,570	2,841,085	-	2,841,085
TOTAL EXPENDITURES	<u>25,147,057</u>	<u>24,971,512</u>	<u>22,998,474</u>	<u>1,973,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,103,453)</u>	<u>(3,904,908)</u>	<u>876,561</u>	<u>4,781,469</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	43,200	310,312	289,304	(21,008)
Operating transfers out	<u>(222,881)</u>	<u>(688,538)</u>	<u>(680,194)</u>	<u>8,344</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(179,681)</u>	<u>(378,226)</u>	<u>(390,890)</u>	<u>(12,664)</u>
NET CHANGES IN FUND BALANCE	<u>(4,283,134)</u>	<u>(4,283,134)</u>	<u>485,671</u>	<u>4,768,805</u>
FUND BALANCE, JULY 1, 2017	<u>4,283,134</u>	<u>4,283,134</u>	<u>4,283,134</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,768,805</u>	<u>\$ 4,768,805</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable or (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From local sources:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-
Utilities	-	-	-	-
Earnings on investments	-	-	-	-
Other local revenues	360,027	484,517	417,330	(67,187)
Intergovernmental – state	1,523,793	1,548,151	1,569,851	21,700
Intergovernmental – direct federal	1,178,454	2,444,167	2,874,986	430,819
TOTAL REVENUES	<u>3,062,274</u>	<u>4,476,835</u>	<u>4,862,167</u>	<u>385,332</u>
EXPENDITURES				
Instruction	2,549,665	3,874,369	4,348,425	(474,056)
Support services:				
Student	30,000	30,000	30,000	-
Instructional staff	173,424	167,708	152,202	15,506
District administration	-	-	-	-
School administration	73,710	73,710	73,710	-
Plant operations and maintenance	-	-	-	-
Student transportation	27,708	19,791	19,527	264
Community services activities	229,567	229,567	229,567	-
TOTAL EXPENDITURES	<u>3,084,074</u>	<u>4,395,145</u>	<u>4,853,431</u>	<u>(458,286)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(21,800)</u>	<u>81,690</u>	<u>8,736</u>	<u>(72,954)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	65,000	(40,890)	56,656	97,546
Operating transfers out	<u>(43,200)</u>	<u>(43,200)</u>	<u>(65,392)</u>	<u>(22,192)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>21,800</u>	<u>(84,090)</u>	<u>(8,736)</u>	<u>75,354</u>
NET CHANGES IN FUND BALANCE	-	(2,400)	-	2,400
FUND BALANCE, JULY 1, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2018	<u>\$ -</u>	<u>\$ (2,400)</u>	<u>\$ -</u>	<u>\$ 2,400</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL
Year Ended June 30, 2018

The District's budgetary process accounts for transactions on the modified accrual basis of accounting, which is consistent with U.S. generally accepted accounting principles. In accordance with state law, the District prepares a school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. The District must adopt a working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget. The working budget was amended during the year.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ 2,363	\$ 62,095	\$ 5,785,886	\$ -	\$ 5,850,344
Cash with fiscal agents	-	-	-	4,185	4,185
TOTAL ASSETS AND RESOURCES	<u>\$ 2,363</u>	<u>\$ 62,095</u>	<u>\$ 5,785,886</u>	<u>\$ 4,185</u>	<u>\$ 5,854,529</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 625,888	\$ -	\$ 625,888
Accrued interest payable	-	-	-	4,185	4,185
Construction retainage payable	-	-	1,528,525	-	1,528,525
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>2,154,413</u>	<u>4,185</u>	<u>2,158,598</u>
FUND BALANCES					
Restricted					
Future construction projects (BG-1)	-	-	3,631,473	-	3,631,473
Other	2,363	62,095	-	-	64,458
TOTAL FUND BALANCES	<u>2,363</u>	<u>62,095</u>	<u>3,631,473</u>	<u>-</u>	<u>3,695,931</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,363</u>	<u>\$ 62,095</u>	<u>\$ 5,785,886</u>	<u>\$ 4,185</u>	<u>\$ 5,854,529</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES					
From local sources:					
Taxes:					
Property	\$ -	\$ 833,778	\$ -	\$ -	\$ 833,778
Earnings on investments	-	-	4,505	-	4,505
Intergovernmental – state	272,150	1,575,082	-	1,923,573	3,770,805
Intergovernmental – direct federal	-	-	-	202,819	202,819
TOTAL REVENUES	<u>272,150</u>	<u>2,408,860</u>	<u>4,505</u>	<u>2,126,392</u>	<u>4,811,907</u>
EXPENDITURES					
Building acquisitions and construction	-	-	13,363,326	-	13,363,326
Payment of bonds and note	-	-	200,000	2,639,778	2,839,778
Payment of interest	-	-	-	1,679,973	1,679,973
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>13,563,326</u>	<u>4,319,751</u>	<u>17,883,077</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>272,150</u>	<u>2,408,860</u>	<u>(13,558,821)</u>	<u>(2,193,359)</u>	<u>(13,071,170)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	3,600,000	-	3,600,000
Bond premium (discount)	-	-	(72,000)	-	(72,000)
Bond fees/issuance costs	-	-	(39,900)	-	(39,900)
Operating transfers in	-	43,200	823,538	2,193,359	3,060,097
Operating transfers out	(269,787)	(2,390,684)	-	-	(2,660,471)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(269,787)</u>	<u>(2,347,484)</u>	<u>4,311,638</u>	<u>2,193,359</u>	<u>3,887,726</u>
NET CHANGES IN FUND BALANCES	2,363	61,376	(9,247,183)	-	(9,183,444)
FUND BALANCES, JULY 1, 2017	-	719	12,878,656	-	12,879,375
FUND BALANCES, JUNE 30, 2018	<u>\$ 2,363</u>	<u>\$ 62,095</u>	<u>\$ 3,631,473</u>	<u>\$ -</u>	<u>\$ 3,695,931</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
CORBIN HIGH SCHOOL
Year Ended June 30, 2018

ACCOUNTS:	Cash Balances <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Interfund <u>Transfers</u>
General	\$ 1,634	\$ 2,931	\$ 4,817	\$ 394
Academic Team	27	1,677	2,306	620
Yearbook	9,113	11,697	10,619	-
App Film	15	-	-	-
Art Club	1,262	1,470	1,700	-
Athletics	39,781	224,944	238,304	(6,145)
Academic Boosters	352	1,891	1,556	(620)
ATC	3,091	1,751	3,633	-
Band	-	2,105	2,105	-
Baseball	113	6,674	6,998	1,221
Beta Club	15	4,937	4,822	15
Bowling – Boys	1,906	1,170	2,328	(521)
Bowling – Girls	2,095	1,170	2,649	-
Boys Basketball	9,037	26,273	25,643	-
Cheerleaders	14,111	37,914	62,084	11,895
Choir	3,718	11,008	9,515	-
Cross Country	3,919	5,921	5,831	-
Dance Team	70	12,862	8,399	115
FMD	382	375	339	-
Equipment Room	586	1,411	2,179	1,700
FACS	795	3,485	5,487	1,220
FBLA	-	7,942	7,174	4
Book Rental	-	16,995	16,995	-
FCCLA	2,081	1,020	1,349	-
Fishing Team	5,286	5,642	9,056	-
Football Officials	135	900	495	-
Girls Basketball	2,229	25,566	26,122	-
Guidance	-	195	195	-
Letterman Jackets	-	15,169	14,868	(301)
Library	505	245	292	(20)
Science Class	208	90	-	-
Senior Science	1,289	70,361	70,903	-
Spanish Club	121	-	-	-
Student Council	552	433	205	(15)
Swim Team	1,235	1,684	1,824	-
CHS Photography Club	520	-	-	-
Dual Credit	1,130	26,715	4,369	-
Class of 2019	127	11,135	3,680	(1,284)
Class of 2018	4,828	-	4,162	83
Softball	8,936	15,661	19,426	2,211
Track – Boys	1,816	3,484	3,594	-

Cash Balances <u>June 30, 2018</u>	Accounts Receivable June 30, <u>2018</u>	Accounts Payable June 30, <u>2018</u>	Fund Balances June 30, <u>2018</u>
\$ 142	\$ -	\$ -	\$ 142
18	-	-	18
10,191	-	-	10,191
15	-	-	15
1,032	-	-	1,032
20,276	-	-	20,276
67	-	-	67
1,209	-	-	1,209
-	-	-	-
1,010	-	-	1,010
145	-	-	145
227	-	10	217
616	-	10	606
9,667	-	-	9,667
1,836	-	-	1,836
5,211	-	-	5,211
4,009	-	-	4,009
4,648	1,175	36	5,787
418	-	-	418
1,518	-	-	1,518
13	-	-	13
772	-	-	772
-	-	-	-
1,752	-	-	1,752
1,872	100	-	1,972
540	-	-	540
1,673	513	-	2,186
-	-	-	-
-	-	-	-
438	-	-	438
298	-	-	298
747	-	-	747
121	-	-	121
765	-	-	765
1,095	-	-	1,095
520	-	-	520
23,476	-	-	23,476
6,298	-	-	6,298
749	-	-	749
7,382	-	-	7,382
1,706	-	-	1,706

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS (CONTINUED)
CORBIN HIGH SCHOOL
Year Ended June 30, 2018

	Cash Balances <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Interfund <u>Transfers</u>
ACCOUNTS:				
Track – Girls	1,909	3,459	3,709	-
Pep Club	356	215	-	-
JROTC	5,307	3,975	6,360	1,300
Key Club	18	84	98	-
Teacher's Lounge	176	1,664	1,897	140
Tennis – Boys	3,106	3,443	4,020	-
Tennis – Girls	2,097	3,705	4,064	-
Ky Junior Historical Society	71	8,838	8,062	-
Thespian Society	16,410	42,931	27,345	(1,550)
Boys Golf	1,840	2,830	4,514	1,300
Girls Golf	2,503	1,460	3,879	665
National Honor Society	846	2,535	3,227	-
Volleyball	5,169	10,156	10,106	-
CHS Book Fees	-	11,700	11,700	-
Odyssey of the Mind	437	6,940	8,917	1,550
Parking Passes	98	2,520	2,618	-
Soccer – Boys	655	1,757	1,804	-
Soccer – Girls	1,100	1,693	1,719	-
Testing	-	842	828	-
Y – Club	265	18,525	18,125	(15)
YSC	200	1,121	-	(33)
Science Olympiad	120	972	1,419	327
STLP	-	165	176	11
Lunch Fees	-	5	-	-
Social Studies	-	360	360	-
Football Ads	-	5,000	-	(5,000)
Basketball Ads	-	8,940	-	(8,940)
Biomed Club	-	1,861	453	(250)
Biomed	-	4,650	3,670	(77)
Dance Blue	-	4,834	4,831	-
Junior Chef	-	7,032	6,476	-
Totals	<u>\$ 165,703</u>	<u>\$ 729,115</u>	<u>\$ 726,400</u>	<u>\$ -</u>

Cash Balances <u>June 30, 2018</u>	Accounts Receivable <u>June 30, 2018</u>	Accounts Payable <u>June 30, 2018</u>	Fund Balances <u>June 30, 2018</u>
1,659	-	-	1,659
571	-	-	571
4,222	-	-	4,222
4	-	-	4
83	-	-	83
2,529	-	-	2,529
1,738	-	-	1,738
847	-	-	847
30,446	-	190	30,256
1,456	-	-	1,456
749	-	-	749
154	-	-	154
5,219	-	-	5,219
-	-	-	-
10	-	-	10
-	-	-	-
608	-	-	608
1,074	-	-	1,074
14	-	-	14
650	-	-	650
1,288	-	-	1,288
-	-	-	-
-	-	-	-
5	-	-	5
-	-	-	-
-	-	-	-
-	-	-	-
1,158	-	-	1,158
903	-	20	883
3	-	-	3
556	-	-	556
<u>\$ 168,418</u>	<u>\$ 1,788</u>	<u>\$ 266</u>	<u>\$ 169,940</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
Year Ended June 30, 2018

	Cash Balances July 1, 2017	Receipts	Disbursements	Interfund Transfers
CORBIN MIDDLE SCHOOL				
All activity funds	\$ 51,707	\$ 222,315	\$ 203,035	\$ -
Charitable gaming fund	36	-	-	-
	<u>\$ 51,743</u>	<u>\$ 222,315</u>	<u>\$ 203,035</u>	<u>\$ -</u>
CORBIN ELEMENTARY SCHOOL				
All activity funds	\$ 10,096	\$ 22,650	\$ 24,402	\$ -
Charitable gaming fund	25	-	-	-
	<u>\$ 10,121</u>	<u>\$ 22,650</u>	<u>\$ 24,402</u>	<u>\$ -</u>
CORBIN PRIMARY SCHOOL				
All activity funds	\$ 6,977	\$ 50,937	\$ 51,879	\$ -
Charitable gaming fund	25	1	-	-
	<u>\$ 7,002</u>	<u>\$ 50,938</u>	<u>\$ 51,879</u>	<u>\$ -</u>
CORBIN EDUCATION CENTER				
All funds	<u>\$ 2,388</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>
CORBIN INTERMEDIATE SCHOOL				
All activity funds	\$ 9,963	\$ 40,471	\$ 39,544	\$ -
Charitable gaming fund	25	-	-	-
	<u>\$ 9,988</u>	<u>\$ 40,471</u>	<u>\$ 39,544</u>	<u>\$ -</u>

Cash Balances June 30, 2018	Accounts Receivable June 30, 2018	Accounts Payable June 30, 2018	Fund Balances June 30, 2018
\$ 70,987	\$ 524	\$ 2,272	\$ 69,239
36	-	-	36
<u>\$ 71,023</u>	<u>\$ 524</u>	<u>\$ 2,272</u>	<u>\$ 69,275</u>
\$ 8,344	\$ 150	\$ -	\$ 8,494
25	-	-	25
<u>\$ 8,369</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ 8,519</u>
\$ 6,035	\$ -	\$ -	\$ 6,035
26	-	-	26
<u>\$ 6,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,061</u>
<u>\$ 2,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,400</u>
\$ 10,890	\$ 25	\$ 9	\$ 10,906
25	-	-	25
<u>\$ 10,915</u>	<u>\$ 25</u>	<u>\$ 9</u>	<u>\$ 10,931</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
SPECIAL EDUCATION CLUSTER (IDEA)			
Special Education – Grants to States (IDEA, Part B)	84.027	3810002	\$ 477,631
Special Education – Preschool Grants (IDEA, Preschool)	84.173	3800002	9,702
Total Special Education Cluster (IDEA)			<u>487,333</u>
TITLE I, PART A CLUSTER			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002	<u>747,330</u>
Total Title I, Part A Cluster			<u>747,330*</u>
FUND FOR THE IMPROVEMENT OF EDUCATION			
Improvement of Education / Counseling	84.215	Direct	96,960
The Corbin Independent School District's Innovative Approach to Literacy	84.215	Direct	201,658
Passed through Berea College:			
Promise Neighborhood	84.215	2199-70050	<u>536,956</u>
Total for Program			<u>835,574</u>
Vocational Education – Basic Grants to States	84.048	3710002	21,203
Improving Teacher Quality State Grants	84.367	3230002	15,783
Twenty-First Century Community Learning Centers	84.287	3400002	498,858*
Rural Education	84.358	3140002	39,130
Corbin Schools Climate Transformation Grant	84.184	Direct	<u>139,720</u>
Passed through KY Justice and Public Safety Cabinet:			
Title I, Part D – Corbin Educational Center	84.013	313	<u>15,850</u>
Total U.S. Department of Education			<u>\$ 2,800,781</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education:			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	7760005	\$ 341,278
National School Lunch Program	10.555	7750002	907,814
Summer Food Service Program for Children	10.559	7690024	5,512
Summer Food Service Program for Children	10.559	7740023	<u>136,259</u>
Total Child Nutrition Cluster			<u>1,390,863</u>
EMERGENCY FOOD ASSISTANCE CLUSTER			
Emergency Food Assistance Program – non-cash	10.555	4005381	<u>100,076</u>
Total U.S. Department of Agriculture			<u>\$ 1,490,939</u>

* Denotes major program

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Defense</u>			
Junior Reserve Officers' Training Corps	12.000	Direct	\$ 65,663
Total U.S. Department of Defense			<u>\$ 65,663</u>
<u>U.S. Department of Health and Human Services</u>			
Community Clinical Linkages	93.945	0242050L	\$ 4,000
Total U.S. Department of Health and Human Services			<u>\$ 4,000</u>
<u>U.S. Department of Commerce</u>			
Passed through Center for Rural Development			
PRIDE – Environmental Education	11.420	EEG-17-045	\$ 1,029
PRIDE – Environmental Education	11.420	EEG-18-042	111
Total for Program			<u>1,140</u>
Total U.S. Department of Commerce			<u>\$ 1,140</u>
Total Expenditures of Federal Awards			<u>\$ 4,362,523</u>

* Denotes major program

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Corbin Independent School District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Corbin Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Corbin Independent School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE E – INDIRECT COST RATE

The Corbin Independent School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Noncompliance material to financial statement notes	_____	Yes	<u>✓</u> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Type of auditor's report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____	Yes	<u>✓</u> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B program

\$ 750,000

Auditee qualified as low risk

<u>✓</u>	Yes	_____	No
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Section II – Financial Statement Findings
None

Section III – Federal Award Findings and Questioned Costs
None

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2018

There were no prior year audit findings.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

September 13, 2018

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corbin Independent School District, (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Marr, Miller & Myers, PSC

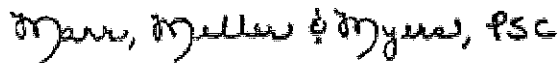
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II to the Independent Auditor's Contract – State Audit Requirements.

We noted certain matters that we reported to management of the District in a separate letter dated September 13, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

September 13, 2018

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Corbin Independent School District's (the "District") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Marr, Miller & Myers, PSC

Opinion on Each Major Federal Program

In our opinion, the District, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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September 13, 2018

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

In planning and performing our audit of the financial statements of the Corbin Independent School District for the year ended June 30, 2018, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some items that go beyond internal control related matters that are being communicated for the benefit of management to improve operational and administrative efficiencies. Our comments and recommendations, as well as the action to be taken by the District, accompanies this letter. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations. This letter does not affect our report dated September 13, 2018 on the financial statements of the Corbin Independent School District.

Marr, Miller & Myers, PSC

Certified Public Accountants

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT LETTER POINTS
June 30, 2018

PRIOR YEAR MANAGEMENT COMMENTS

The District has corrected all prior year audit findings except for the repeat audit findings at Corbin Middle School, Corbin Intermediate School and Corbin Elementary School which are listed below.

1. ACTIVITY FUNDS

CORBIN HIGH SCHOOL

- All monies collected by a teacher or sponsor should be given to the school treasurer on the day collected. We noted two instances in our testing where monies were being held by a teacher or sponsor for various events or donations received.
- Documentation was lacking on a Multiple Receipt Form (Form F-SA-6) that was noted in our testing. Required forms need to be completed in their entirety.
- Proper approval and documentation for the receipt of goods was missing on an expenditure in our current year testing.

CORBIN MIDDLE SCHOOL

- All monies collected by a teacher or sponsor should be given to the school treasurer on the day collected. We noted one instance in our testing where monies were being held by a teacher or sponsor for various events or donations received. This is a repeat finding.
- Documentation was lacking on a Multiple Receipt Form (Form F-SA-6) that was noted in our testing. Required forms need to be completed in their entirety.
- Purchase Order Forms (Form F-SA-8) were not adequately completed or timely prepared for all disbursements. These forms must be obtained and approved prior to purchases of goods and/or services. We noted two instances in our testing of purchase orders being dated after the invoice date.

CORBIN PRIMARY SCHOOL

- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed or timely prepared for all receipts. We noted two instances in our testing of incomplete/inaccurate forms.

CORBIN INTERMEDIATE SCHOOL

- All monies collected by a teacher or sponsor should be given to the school treasurer on the day collected. We noted one instance in our testing where monies were being held by a teacher or sponsor for various events or donations received. This is a repeat finding.
- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed or timely prepared for all receipts. We noted two instances in our testing of incomplete/inaccurate forms. This is a repeat finding.

CORBIN ELEMENTARY SCHOOL

- All monies collected by a teacher or sponsor should be given to the school treasurer on the day collected. We noted one instance in our testing where monies were being held by a teacher or sponsor for various events or donations received. This is a repeat finding.
- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed or timely prepared for all receipts. We noted two instances in our testing of incomplete/inaccurate forms. This is a repeat finding.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT LETTER POINTS (CONTINUED)
June 30, 2018

- Purchase Order Forms (Form F-SA-8) were not adequately completed or timely prepared for all disbursements. These forms must be obtained and approved prior to purchases of goods and/or services. We noted one instance in our testing of purchase orders being dated after the invoice date. This is a repeat finding.

MANAGEMENT'S RESPONSE

- Principals, bookkeepers and the Finance Officer have jointly reviewed all FY 2018 findings. In an effort to provide the most relevant and timely guidance, our District provided individual Redbook training at each school during July and August. A separate training for Principals and Administrators was conducted during our certified conference, in which roundtable discussions were held. In addition, we provided separate trainings for both bookkeepers and boosters. Each session instructed participants on the reporting requirements and daily procedures required by the Redbook. Our district strives toward improvement and adherence with Redbook criteria and will continue providing assistance to all teachers, coaches, sponsors and administrators throughout the school year. These findings have been discussed with the Superintendent and Assistant Superintendent and both fully support the collective district wide efforts for improvement.